PHILIP MORRIS USA INTER-OFFICE CORRESPONDENCE
120 PARK AVENUE, NEW YORK, NY 10017-5592

TO: Distribution **DATE:** December 7, 1995

FROM: Distribution System Information / Chris Enger

SUBJECT: **Nielsen Retail Pricing Update - 11/25/95 (week-ending)**

SUMMARY

- Corresponding with increased money-off activity (+1 point to 18% of C-stores), Marlboro's average pack price decreased -1¢ vs. week-ago to $1.94.
- Basic's price disadvantage (>10¢) with the Lowest Discount brand decreased -2 points vs week-ago as Basic's flex fund activity also increased +1 point to 20% of stores.
- ≤99¢ incidence remained relatively stable week to week at 17% of C-stores while up +2 points on a four week basis.

Prices and Gaps

- In **C-stores**, Marlboro's average pack price decreased -1¢ versus week-ago to $1.94 as flex fund activity increased +1 point to 18% of stores (see emerging trends). The average Lowest Discount pack price remained stable at $1.35, decreasing the price gap -1¢ to 59¢ or 43.7%.

  Regionally, on a four week basis, the price gap increased the most in Region 5, offsetting Marlboro Flex Fund driven declines in October.

					Chg. vs. WAGO		4WK vs. 4WAGO	
	MARL	LOWEST DISC	$ GAP	% GAP	$ GAP	% GAP	$ GAP	% GAP
NTNL	$1.94	$1.35	$0.59	43.7%	-$0.01	-0.7%	$0.00	-0.1%
R1	$2.12	$1.53	$0.59	38.6%	$0.00	0.0%	$0.01	1.2%
R2	$1.78	$1.17	$0.61	52.1%	$0.00	0.0%	$0.01	1.8%
R3	$1.89	$1.35	$0.54	40.0%	-$0.02	-1.5%	-$0.02	-1.1%
R4	$1.91	$1.36	$0.55	40.4%	-$0.02	-2.1%	$0.00	0.4%
R5	$2.12	$1.44	$0.68	47.2%	$0.02	2.0%	$0.02	2.0%

- In **Supermarkets** (w/e 11/18), Marlboro and the Lowest Discount average carton prices remained stable week-to-week while declining -1.2 points on a four week basis. The resulting price gap was $4.27 or 33.9%.

  Regionally, on a four week basis, the price gap decreased in all Regions with the greatest declines in Regions 2 and 3 as Marlboro Flex Fund activity increased in Supermarkets.

					Chg. vs. WAGO		4WK vs. 4WAGO	
	MARL	LOWEST DISC	$ GAP	% GAP	$ GAP	% GAP	$ GAP	% GAP
NTNL	$16.86	$12.59	$4.27	33.9%	$0.00	0.0%	-$0.15	-1.2%
R1	$18.74	$14.83	$3.91	26.4%	$0.09	0.8%	-$0.04	-0.3%
R2	$14.86	$10.83	$4.03	37.2%	-$0.14	-1.4%	-$0.27	-2.7%
R3	$16.50	$12.29	$4.21	34.3%	$0.05	0.3%	-$0.24	-1.8%
R4	$16.96	$12.64	$4.32	34.2%	-$0.01	-0.2%	-$0.11	-0.7%
R5	$18.58	$13.81	$4.77	34.5%	$0.05	0.5%	$0.01	0.1%

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Source: https://www.industrydocuments.ucsf.edu/docs/rpjn0004

Marlboro's Price Disadvantage

- In **C-stores**, Marlboro's price disadvantage with Camel (30%) increased +1 point week-to-week, while up +6 points on a four week basis as Camel increased money-off promotional support +3 points to 40% of stores (its highest level YTD).
- Marlboro's disadvantage with Winston (27%) decreased -2 points week-to-week while remaining up +2 points on a four week basis.
- Marlboro's disadvantage with Newport (26%) decreased -2 points versus week-ago as Newport decreased money-off promotional support -3 points to 29% of stores. In C-stores with a disadvantage, Newport sells for an average of 35¢ less per pack than Marlboro.

% STORES WITH ≥10¢ DISADVANTAGE

	NO DISADV	10¢	>=20¢	ANY DISADV	AVG $ DIFF*
Marlboro vs Camel	69.6%	9.9%	20.4%	30.4%	$0.28
Chg vs Last	-0.8%	0.8%	0.0%	0.8%	$0.00
4WK vs 4WAGO	-5.7%	1.5%	4.2%	5.7%	$0.01
Marlboro vs Winston	72.9%	7.7%	19.4%	27.1%	$0.28
Chg vs Last	2.4%	-1.0%	-1.4%	-2.4%	$0.01
4WK vs 4WAGO	-2.1%	-0.8%	2.9%	2.1%	$0.01
Marlboro vs Newport	73.9%	4.0%	22.0%	26.1%	$0.35
Chg vs Last	1.9%	-0.1%	-1.8%	-1.9%	($0.01)
4WK vs 4WAGO	-0.4%	-1.0%	1.4%	0.4%	$0.01

* Avg $ Diff among stores with disadvantage ≥ 10¢

Basic's Price Disadvantage

- In **C-stores**, incidence of Basic's price disadvantage (>10¢) with the Lowest Discount brand decreased -2 points to 65% of stores (with an average price disadvantage of 33¢) as Basic flex fund activity increased +1 point to 20% of stores (see emerging trends).

	% STRS > 10¢	CHG VS LAST	4WK VS 4WAGO	AVG PRC DIFF	CHG VS LAST	4WK VS 4WAGO
BASIC vs. LOWEST DISC	65.1%	-2.0%	-2.3%	$0.33	$0.02	$0.00
BASIC vs. GPC	47.1%	-2.2%	-1.9%	$0.25	$0.01	$0.00
BASIC vs. RJR PL	81.5%	0.8%	-0.1%	$0.40	$0.01	$0.01
BASIC vs. DORAL	37.7%	1.3%	0.0%	$0.25	$0.01	$0.00

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Source: https://www.industrydocuments.ucsf.edu/docs/rpjn0004

<=99¢ Incidence

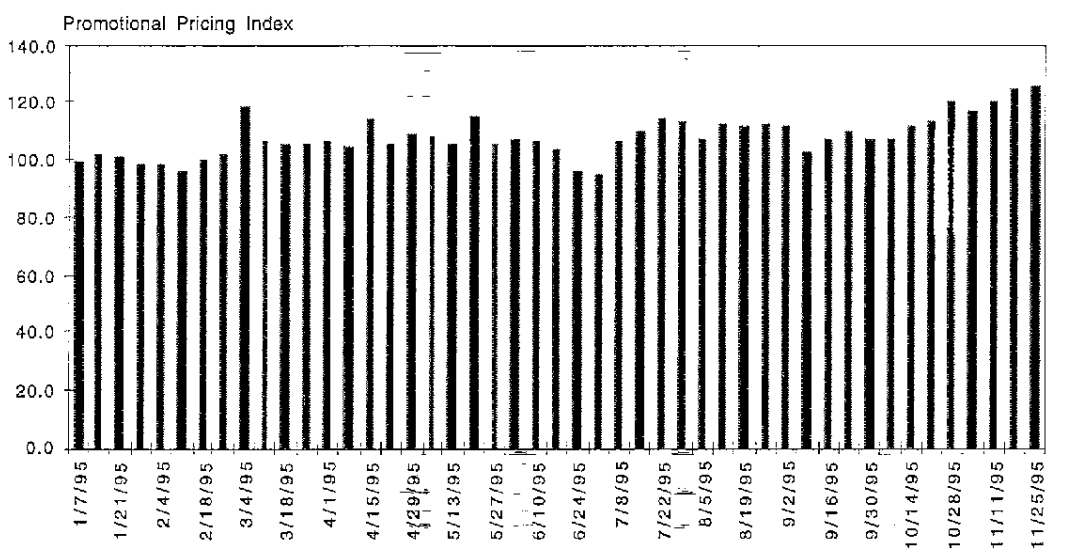
- ≤99¢ incidence (17%) remained relatively stable versus week-ago while up +2 points on a four week basis to 16% of C-stores (its highest level since 7/1), as RJR PL and Doral increased their presence at this price point.

- Regionally, on a four-week basis, ≤99¢ incidence increased the most in Regions 3, 4 and 5 corresponding with increased Reynolds money-off activity.

	≤99¢	Chg. vs. WAGO	4WK vs. 4 WAGO
NTNL	16.6%	-0.4%	2.0%
R1	4.5%	0.0%	0.4%
R2	33.3%	-0.9%	0.2%
R3	10.8%	2.4%	2.1%
R4	18.0%	-2.8%	3.7%
R5	10.4%	-0.1%	4.3%

- Incidence of money-off activity among RJR's major discount brands (including Doral and RJR PL) has increased about 20% since the January 1995 base period.

RJR MAJOR DISCOUNT BRAND PROMOTIONAL PRICING INDEX
C-STORES



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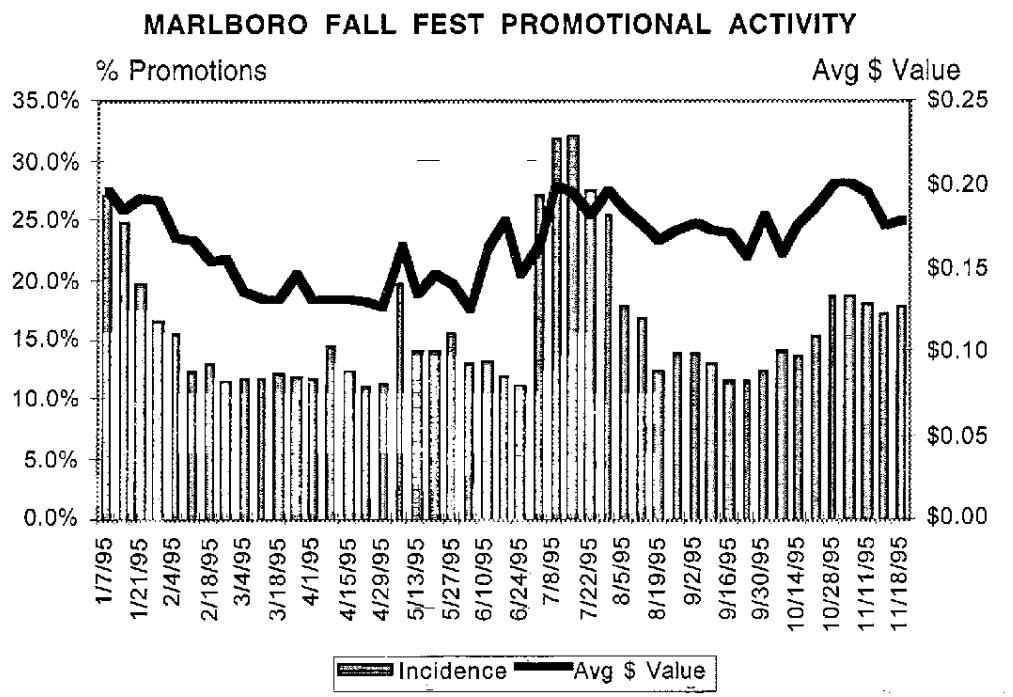
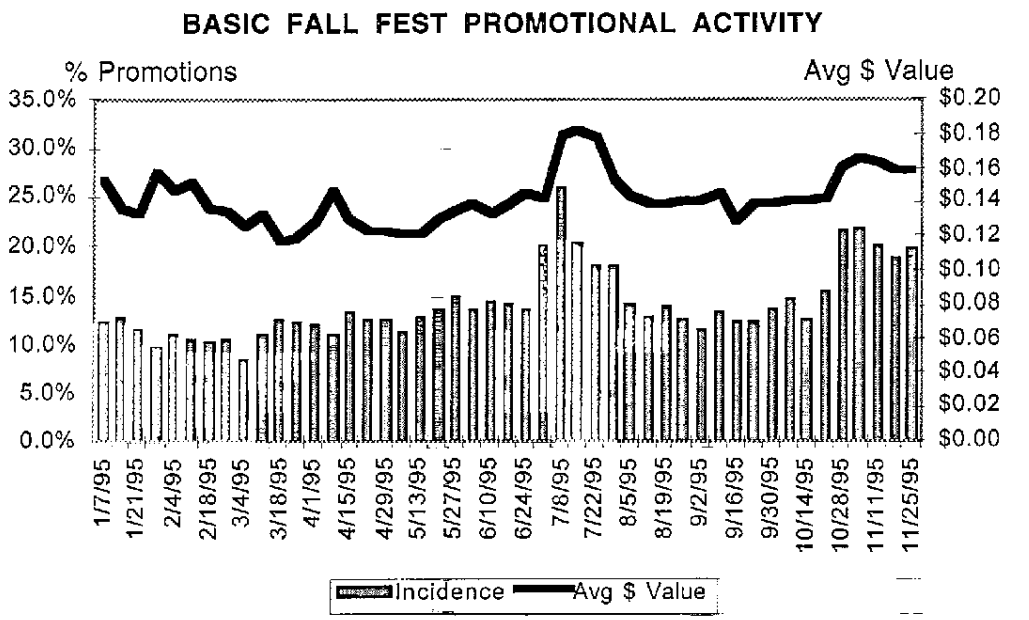
Source: https://www.industrydocuments.ucsf.edu/docs/rpjn0004

FALL FEST MONEY-OFF ACTIVITIES

- Marlboro weekly Flex Fund activity increased +1 point versus week-ago to 18% of C-stores, with an average per pack price reduction of 18¢.



- Basic weekly Flex Fund activity increased +1 point versus week-ago to 20% of C-stores, with an average per pack price reduction of 16¢.



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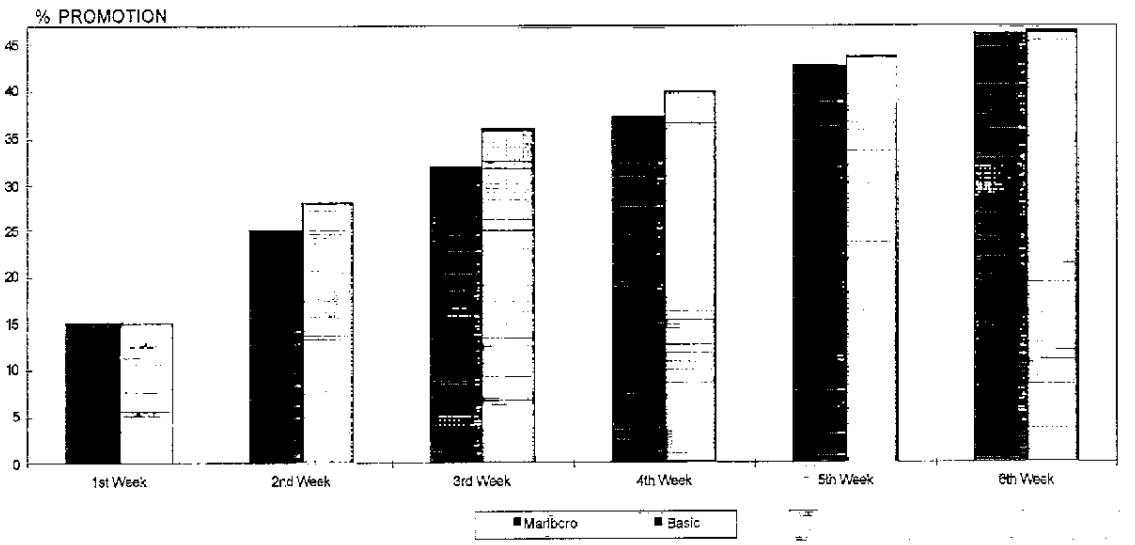
Source: https://www.industrydocuments.ucsf.edu/docs/rpjn0004

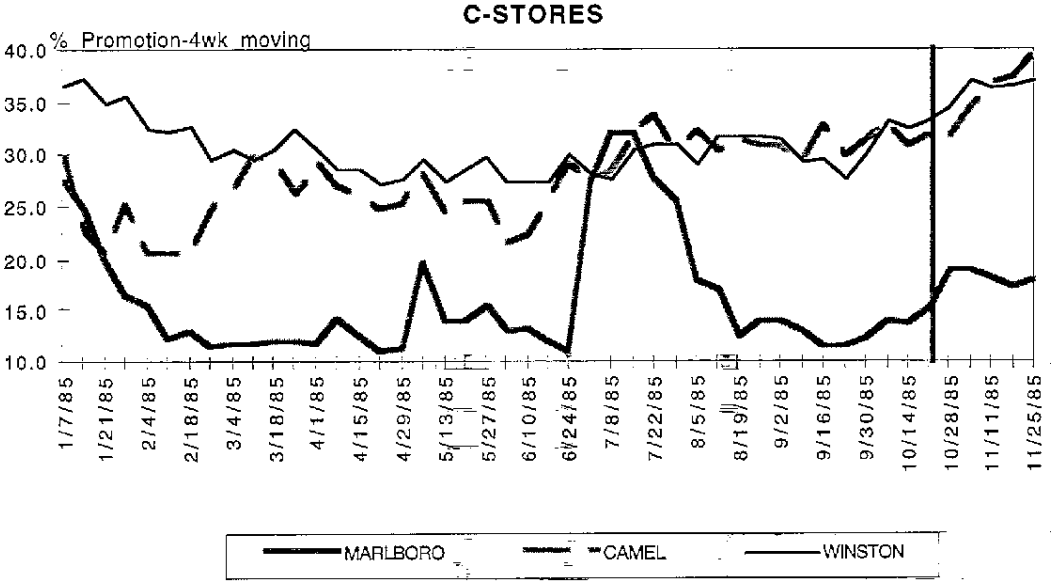
- On a cumulative basis (since the w/e 10/21), Marlboro (+3 points vs week-ago) and Basic (+3 points vs week-ago) Flex Fund activity increased to 46% of C-stores (68% of Retail Masters C-stores), each.

MONEY-OFF CUMULATIVE INCIDENCE
C-STORES



- Coinciding with increased Marlboro Flex Fund activity, on a four week basis, Camel and Winston expanded their money-off incidence +5 and +4 points, respectively, to their highest levels YTD.

MARLBORO VS COMPETITIVE MONEY-OFF
C-STORES



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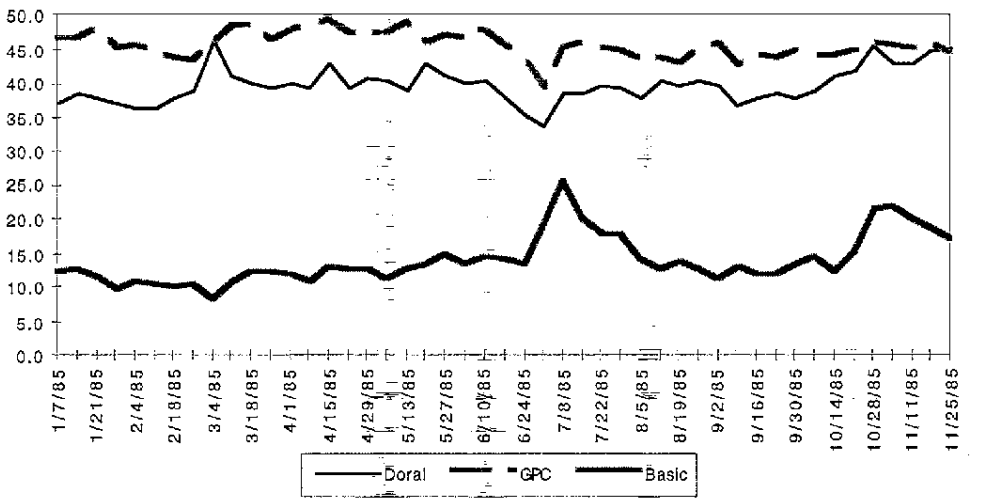
Source: https://www.industrydocuments.ucsf.edu/docs/rpjn0004

- In C-stores, on a four week basis, Doral increased its money-off promotional support +2 points to 44% (its highest 4 wk level YTD). GPC increased money-off +1 point to 45% of C-stores.

BASIC VS COMPETITIVE MONEY-OFF
C-STORES



- During the initial six weeks of Fall Fest, 26% of C-stores featured money-off deals on both Marlboro and Basic, while an additional 15% discounted Basic only and 16% discounted Marlboro only.

C-STORE PROFILE
STORES PARTICIPATING IN FALL FEST (6W/E 11/25)

	Basic Only	Marlboro Only	Basic and Marlboro
Cum % Stores	15	16	26
County Size			
A	33.3	24.0	32.0
B	38.1	41.6	39.3
C	17.7	22.1	18.0
D	10.9	12.3	10.7
Ownership			
Chain	76.2	74.7	69.4
Indep	21.8	21.4	26.2
NA	2.0	3.9	4.4
Region			
1	15.0	20.8	18.9
2	20.4	20.8	18.0
3	21.1	20.8	22.3
4	27.9	22.1	24.3
5	15.6	15.6	16.5
Store Size*			
Small	60.5	57.1	55.8
Large	37.4	39.0	39.8

*Note store size does not sum to 100% due to availability

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Source: https://www.industrydocuments.ucsf.edu/docs/rpjn0004

Distribution:

S. Albimino
R. Anise
M. Anton
D. Beran
D. Berenson
G. Bible
G. Blumenson
J. Bonhomme
M. Burgess
B. Burns
L. Camilleri
J. Chaump
N. Conrad
J. deCastro
P. Dodd
J. Dwyer
N. Ellis
G. Fawcett
P. Fernandez
R. Ferrin
S. Fuller
L. Funess
G. Galanti-Bennis
T. Garguilo
E. Gawronski
E. Gee
Y. Girgado
A. Goldfarb
M. Gordon
M. Grande
J. Greene
H. Harwood
K. Huray
A. Hyland
D. Himmel
J. Intogna
S. Jannetta
L. Johnson
R. Kruk
D. Keane
L. Larkins
T. Lauinger
K. Leger
S. LeVan
C. Levy
A. Lewis
J. Lichtman
D. Lipka
H. Long
L. Lubrano
N. Lund
M. Mahan
J. Margolis
P. McCarthy
K. McEncroe
T. McGovern
S. Medakkar
R. Mikulay
S. Minagawa
D. Moore
J. Morgan
K. Morgan
D. Murphy
M. Murphy
B. Neidle
J. Nelson
E. Ng
N. Nicholes
P. Paoli
S. Patel
B. Piccolino
S. Piskor
L. Poole
D. Potter
S. Rafferty
T. Resman
D. Rubin
S. Rush
J. Ryder
T. Saloun
J. Sansone
M. Salzman
R. Sarmento
E. Schneidman
M. Schroeder
B. Schuyler
A. Schwartz
B. Shah
A. Sinha
M. Slone
W. Smith
J. Steere
N. Suter
M. Szymanczyk
D. Tapscott
L. Theaman
J. Tucker
R. Weiner
B. Weinstein
L. Wexler
J. Whitson
K. Winkler

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